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2005-359C

November 8, 2005

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
P.O. Drawer 11649
Columbia, South Carolina 29211

IN RE: Palmetto Rural Telephone Cooperative, Inc. and Palmetto Telephone
Communications, LLC – Request for Waiver of Local Rates

Mr. Terreni:

The Office of Regulatory Staff does not oppose the approval of Palmetto Rural Telephone Cooperative's request, dated September 30, 2005, to waive the local exchange rates for its members during the month of December, 2005. ORS does recommend a qualified approval consistent with the Commission's treatment of this request in previous years. ORS requests that Palmetto Rural Telephone Cooperative's request be qualified to provide for the revenues from the month of December 2005 be imputed in any rate or earning proceedings which would involve the month of December 2005. In other words, if Palmetto Rural Telephone Cooperative were to file a rate case with a test year including the month of December, 2005, ORS recommends that the revenues associated with the waived rates be imputed for rate making purposes.

On October 25, 2005, a similar request was received from Palmetto Telephone Communications. ORS does not oppose approval of the request made by Palmetto Telephone Communications, an affiliate of Palmetto Rural Telephone Cooperative.

While ORS does not oppose Commission approval of these requests from Palmetto Rural Telephone Cooperative and Palmetto Telephone Communications, ORS does have some concerns about the waiver of these retail rates and the potential impact of these waivers on intrastate universal service funding and gross receipt reporting. The size of a carrier's obligation to the intrastate universal service fund is a function of the total retail revenues reported on an annual basis from all telecommunications providers in South Carolina.

To ensure a competitively neutral intrastate universal service fund, ORS also recommends that any company waiving retail rates be required to track and report those foregone revenues for purposes of determining the company's obligation to the intrastate universal service fund.

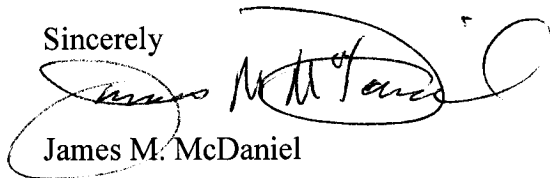
A similar ORS concern exists for reporting of gross receipts. Gross receipts for telegraph and telephone companies is defined in Section 58-1-40 (3) of the South Code of Laws. In this definition, the gross receipts are required to be reported "whether actually received or not...". In order, to balance the interest of all telephone utilities and to ensure that all carriers report gross receipts uniformly, ORS recommends that any foregone revenues be tracked and included when reporting gross receipts.

In summary, ORS does not oppose the request of Palmetto Rural Telephone Cooperative to waive local exchange rates during the month of December 2005 or the request of Palmetto Telephone Communications to waive local exchange rates provided:

- (1) that both companies be required to track all foregone intrastate revenues
- (2) that those intrastate revenues be imputed to the company for use during any earnings or rate proceeding where December 2005 is included in the test year,
- (3) that the companies be required to report those foregone revenues in calculating the companies' obligation to the universal service fund; and
- (4) that the companies report any foregone intrastate revenues in reporting of gross receipts reporting.

Should you have any questions concerning this matter, please advise.

Sincerely

A handwritten signature in black ink, appearing to read "James M. McDaniel", is written over a circular stamp. The signature is fluid and cursive.

James M. McDaniel

Cc: Mr. H.J. Dandridge, III
Mr. Jason Dandridge
Florence Belser
Katie Morgan